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PROJECT NO. 51840

RULEMAKING ESTABLISHING
ELECTRIC WEATHERIZATION
STANDARDS

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PUBLIC UTILITY COMMISSION
OF TEXAS

TEXAS PUBLIC POWER ASSOCIATION'S RESPONSE TO REQUEST FOR
COMMENTS

The Texas Public Power Association (TPPA) appreciates the opportunity to submit this response to the request for comments by the Public Utility Commission of Texas (Commission) regarding its rulemaking establishing electric weatherization standards. These comments are submitted on behalf of TPPA and do not necessarily reflect the opinions of any individual TPPA member.

Formed in 1978, TPPA is the statewide association for the 72 municipally-owned utilities (MOUs) in Texas. TPPA serves urban, suburban, and rural Texas and member MOUs vary in size from large, vertically-integrated utilities to relatively smaller distribution-only systems. We are proud to serve approximately 5.1 million Texans in these cities and towns. Sixty-three of our members are operating within the Electric Reliability Council of Texas (ERCOT) region and nine are located within either the Southwest Power Pool (SPP) or Midcontinent Independent System Operator (MISO) region. MOUs offer a long track record of stability, and we serve an essential role in providing secure and reliable power to the wholesale electricity markets in these regions, including ERCOT. Many of our member systems have been providing stable and reliable electric power to communities in Texas for over 100 years, and collectively, our members provide more than 10,500 MW of generation and maintain nearly 3,000 miles of high-voltage transmission assets.

I. Background

Under new PURA § 35.0021, as created by Senate Bill 3 (SB3), 87th regular session, the Commission shall develop rules that require each provider of electric generation service to prepare the provider's owned generation assets to adequately generate electric service during a weather emergency according to reliability standards adopted by the Commission. These rules should apply to MOUs, electric cooperatives, power generation companies, and exempt wholesale generators that sell electric energy at wholesale in the ERCOT power region (collectively referred

to herein as “generators”). Similarly, under new PURA § 38.075, as created by SB3, 87th regular session, the Commission shall develop rules that require each MOU, electric cooperative, and transmission and distribution utility providing transmission service in the ERCOT power region (collectively referred to herein as “transmission service providers”) to implement measures to prepare the cooperative’s or utility’s facilities to maintain service quality and reliability during a weather emergency according to standards adopted by the Commission.

II. General Response

Before addressing the questions posed, TPPA believes that it would be helpful to address a few threshold issues:

Applicability. TPPA notes that SB3 did not address utility distribution infrastructure, and TPPA believes that the Commission should mirror this approach in promulgating its rules.

Minimum Requirements with a Reasonable Implementation Timeline. TPPA believes that these rules should set minimum requirements with a reasonable implementation timeline while still allowing and encouraging generators and transmission service providers to innovate and implement practices beyond that minimum.

Minimum requirements that encourage innovation with a reasonable timeline for implementation would help to ensure that every generator and transmission service provider can adequately prepare their assets, without creating unnecessary costs and inequitable results. Providing sufficient time to meet the newly adopted standards will allow generators and transmission service providers to conduct a full assessment of their facilities, identify the measures that need to be taken to address any gaps, and source the labor and materials needed to make any necessary improvements. Even under the best of circumstances, such an effort can take many months if not years to complete. Considering that the global supply chain is still recovering from the COVID-19 pandemic and businesses are continuing to struggle to return to pre-pandemic employment levels, this effort could take even more time at even higher costs than usual. Companies that provide various weatherization measures and services may see skyrocketing demand for finite products. In terms of an appropriate timeline, TPPA notes, by way of example,

the Cold Weather Standards recently adopted by the North American Electric Reliability Corporation (NERC) Board of Trustees included a compliance timeline of 18 months.¹

Overly prescriptive rules with a tight implementation timeline may result in increased prices and entities being unable to schedule service at an affordable cost. This could result in the unintended consequences of marginal units choosing to prematurely retire and create resource adequacy concerns regardless of weather conditions.

Safe Harbor for Failures Outside Reasonable Control. TPPA notes that SB3 states that the weatherization rules require a generator or transmission service provider to *prepare* its facilities. In drafting this language, the Legislature did not instruct the Commission or ERCOT to allocate fault if adequate preparations happen to fail through no fault of the entity. As such, TPPA believes that the resultant Commission rules should explicitly provide safe harbor for measures that fail because of factors outside the reasonable control of the generator or transmission service provider.²

No Changes During or Immediately Prior to Extreme Weather. Further, *prepare* is a forward-looking term. TPPA agrees that generators and transmission service providers should diligently work to ready facilities for extreme weather, but TPPA believes that the Legislature did not intend for entities to be required to adjust their weatherization measures while an extreme weather event was impacting a facility.³ Establishing new requirements on weatherization measures to be taken *during* an extreme weather event would jeopardize worker health and safety and should be left to the generator or transmission service provider's discretion to account for the benefits and risks certain measures present given the unique circumstances of a hazardous weather event. As such, TPPA believes that the resultant Commission rules should not allow for the Commission or ERCOT to order the modification of existing weatherization measures during or immediately prior to an event.

Time Criterion Necessary. TPPA notes no weatherization measure is indefinitely effective at the same level, and extreme weather causes similarly extreme wear and tear on facilities. As such, TPPA believes that the resultant Commission rules should provide the amount of time the

¹https://www.nerc.com/pa/Stand/Project%20201906%20Cold%20Weather%20DL/2019-06_Cold_Weather_Implementation_Plan_05182021.pdf.

² Similar language is already codified in existing Commission rule for compliance with ERCOT Protocols. See PUC Subst. R. 25.503(f)(2)(C).

³ TPPA notes that PURA §§ 35.0021(c) and 38.075(b) require ERCOT to allow a reasonable period of time for a generator or transmission service provider, respectively, to remedy any violations ERCOT discovers during a weatherization inspection. An order from the Commission or ERCOT to implement specific weatherization measures immediately prior to an event would appear to contravene this language.

entity should be able to continuously maintain any weatherization standards adopted by the Commission.

Industry Collaboration and Best Practice Sharing. In recognition that generators and transmission service providers already design for and take actions to mitigate against extreme weather events absent reliability standards formally adopted by the Commission, establishing a forum for ongoing industry collaboration on best practices and lessons learned should be an additional objective of this rulemaking. Generators and transmission service providers have likely identified numerous opportunities for improvement following Winter Storm Uri, making this an opportune time to establish such a forum for information-sharing. TPPA recommends that the Commission and ERCOT create formal workgroups where generators and transmission service providers can freely discuss best practices and lessons learned without fear of these conversations being used for enforcement purposes. Further, ERCOT can help inform this effort by summarizing its findings from past reviews of generator weatherization preparation plans, spot check findings, and reviews of generator outages to identify measures that appear to be most effective in preventing generator outages.⁴

Question 1: To fulfill the requirements of Texas Utilities Code § 35.0021(b), under what weather emergency conditions should the Commission require a provider of electric generation service in the Electric Reliability Council of Texas (ERCOT) power region to be able to operate its generation facilities? At a minimum, please address standards for temperature, icing, wind, flooding, and drought conditions. For each, please address whether the standard should vary by region or by type of generation facility. Please provide any relevant support for your recommendations, including existing or proposed standards in other jurisdictions, or related studies.

Generation facilities exist as steel in the ground, already designed to operate under certain weather conditions. Retrofitting generation to meet new standards that go beyond a generator's existing design parameters can be costly, especially given that no funding has been allocated for this purpose. Stringent weatherization requirements could result in generators increasing their bids

⁴ ERCOT commonly shares such lessons learned in seasonal weatherization workshops. For example, see the following presentation from 2017:
http://www.ercot.com/content/wcm/key_documents_lists/128108/08.Weatherization_Workshop_2017_2018_Final.pdf

to recover those new costs, raising the going-forward price of energy for all customers. With this important consideration in mind, the Commission should not apply the same minimum standards to every generation unit in ERCOT – such an action could have adverse consequences on resource adequacy by compelling marginal units to mothball or permanently retire, decreasing overall reliability during normal conditions and hurting the grid’s ability to respond to extreme weather.

Rather, the Commission should consider adopting generator weatherization standards similar to the recently-adopted NERC Cold Weather Standards.⁵ These standards, once adopted by FERC, will be applicable to the ERCOT region and would operate as a regulatory floor for weatherization requirements, including specifying categories of activities to address, such as freeze protection measures, annual inspection and maintenance measures, identification of operating limitations, and determination of minimum temperatures at which the plant is anticipated to perform either through design, historical operation, or verification through engineering analysis.

Importantly, the NERC Cold Weather Standards require that generators implement cold weather preparedness plans while allowing generators to self-identify and self-select measures to appropriately weatherize the facilities considering each generator’s unique configuration, location, and other variables. For example, while Resource Entities currently submit emergency operations plans to ERCOT, including a weatherization plan that describes practices and procedures undertaken in preparation for winter and summer weather and during specific occurrences of extreme weather, the NERC Cold Weather Standards go a step further by providing more specificity on what must be included in the weather preparedness plans, including a minimum operating temperature. Requiring this information will provide improved visibility to ERCOT and the Commission on the operational capabilities of the ERCOT fleet and how those capabilities vary due to factors such as facility age, location, resource type, and operational design.

TPPA supports the Commission taking a similar approach to NERC in establishing generator standards that recognize these variables rather than implementing a one-size-fits-all policy. Further, the Commission should ensure its rules are complementary to, rather than

⁵ The NERC Board’s Cold Weather Standards, including new standards for generators found in EOP-011-2 Emergency Preparedness and Operations, followed an extensive stakeholder process that lasted over two years before being formally adopted on June 11. These new standards will be applicable to generators in the ERCOT region once approved by the Federal Energy Regulatory Commission with an implementation timeline of at least 18 months. NERC’s Project 2019-06 Cold Weather includes the final draft rules adopted by the NERC Board of Trustees. *See* <https://www.nerc.com/pa/Stand/Pages/Project%202019-06%20Cold%20Weather.aspx>.

conflicting with, the NERC Cold Weather Standards to minimize the costs on generators and leverage the significant work that NERC and stakeholders put into that effort.

Should the Commission consider any supplemental requirements to the NERC Cold Weather Standards, including consideration of other types of weather-related hazards such as flooding and drought conditions, these supplemental requirements should be informed by risk-based analysis and use a deliberative process to identify which weather-related risks have the highest potential impacts on grid reliability and which mitigation measures have the greatest potential benefits to address those risks for each resource type. The Commission should then set standards that provide sufficient flexibility for generators to adequately reduce those risks in a cost-effective manner, considering other factors such as generation resource type and facility age.

As a closing consideration, it is equally important to recognize that, during extreme weather events, the reliable operation of natural gas generators that comprise about half of the generating capacity and energy production in the ERCOT region is also dependent on sufficient weatherization of gas supply facilities. SB3 recognizes this interdependency and requires the Commission and the Railroad Commission (RRC) to simultaneously, yet independently, develop weatherization rules for certain gas facilities, including those that directly supply gas to generation facilities. However, because these two sets of energy supply chain weatherization rules will be developed in separate processes, it is possible that there will be some mismatch between the two sets of rules. If gas pipelines are not required to weatherize to the same level as the generation turbines that are fueled by that gas, the Commission's weatherization rules would result in ineffective measures negated by fuel unavailability. As such, TPPA recommends that the Commission review its weatherization rules within six months of the RRC promulgating its rules to ensure that the two standards are harmonious.

Question 2: To fulfill the requirements of Texas Utilities Code § 38.075(a), under what weather emergency conditions should the Commission require an electric cooperative, municipally owned utility, or transmission and distribution utility providing transmission service in the ERCOT power region to be able to operate its transmission facilities? At a minimum, please address standards for temperature, icing, wind, flooding, and drought conditions. For each, please address whether the standard should vary by region or by type of generation facility. Please provide any relevant support for your recommendations, including existing or proposed standards in other jurisdictions, or related studies.

Like generation, transmission facilities also exist as steel in the ground, and retrofitting weatherization measures can be an extremely expensive process.

TPPA believes that the Commission should adopt rules to ensure that transmission owners follow National Electrical Safety Code (NESC) standards, which already includes differing regional requirements for temperature, icing, and wind.⁶ The NESC forms the basis for multiple states' weatherization requirements,⁷ and transmission owners and planners are already familiar with these requirements. Modelling Commission rules after the NESC aligns with industry best practice and ensures that transmission service providers can efficiently and effectively bring their facilities up to the standard (if those facilities are not already at that level) as these standards are well known throughout the industry and consistent with common transmission design configurations and parameters.

Similar to the recommendation above regarding consideration of supplemental weatherization standards for generators that go beyond NERC's Cold Weather Standards, any weatherization standards for transmission facilities considered by the Commission that would go beyond NESC, including considerations of other weather-related hazards such as flooding and drought conditions, should be considered through a deliberate, risk-based approach that considers past impacts of extreme weather events on transmission facilities in the ERCOT region. This deliberative approach would allow the Commission to consider the potential consumer impacts of any additional weatherization measures considered, both from the perspective of reliability

⁶ PUC Subst. R. 25.101(d) already provides that the Commission will be guided by the National Electric Safety Code and requires that electric utilities construct, install, operate, and maintain its plant, structures, equipment, and lines in accordance with this standard.

⁷ By way of example, *see* Regs., Conn. State Agencies § 283-16-244i; Fla. Admin Code R. 25-6.034; 35-A M.R.S.A. §2305-A (Maine); MINN. STAT. 326B.35 (2007); Mont. Admin. R. 38.5.1010; Nev. Admin. Code § 704.450; 04 N.C. Admin. Code R8-26; Ohio Admin. Code 4901:1-10-06.

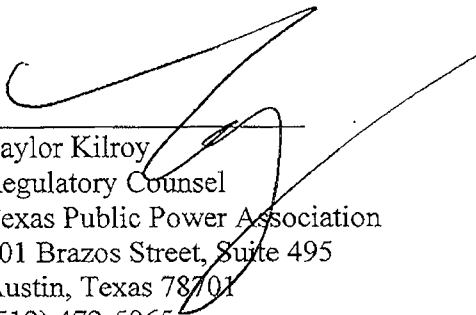
benefits received and costs incurred as all transmission costs are ultimately borne by ratepayers through the Commission transmission rate.

III. Conclusion

TPPA appreciates the opportunity to submit these comments and urges the Commission to promulgate rules that maintain incentives for existing generators and transmission service providers to remain online and available during the times of greatest need without imposing expensive and unnecessary mandates that do not provide reciprocal benefits and could be counterproductive to maintaining resource adequacy and grid reliability. As always, TPPA looks forward to working with the Commission, its staff, and the stakeholders on these important questions and this broader rulemaking in the coming months.

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Respectfully,



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